

PASSION FOR BUSINESS

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Sector: Agriculture (Horticulture)

CHALLENGE

Two years ago, nothing in the name of Lessos Horticultural Growers Association ever existed. A few common interest groups specialising in assorted horticultural products such as sugar snaps, French beans among others each on its own struggled to earn a penny. Among the common interest groups were also some passion fruit self help groups that worked independently and whose members produced and sold passion fruits individually at the farm gate albeit at very low prices. During a Value Chain Management Training in early 2009, the Divisional Agricultural Officer from Nandi District shared the Lessos Passion Fruits case with SNV Advisors. It is around this time that SNV had just concluded a study on value Chain Selection in which fruit horticulture (passion, mangoes, avocado and paw paws), had been selected as key value chains with the potential of transforming the economic livelihood of the smallholders farmers. SNV moved ahead and worked with the Divisional Agriculture Officer, in carrying out the diagnosis, for two months and in May 2009, a consensus to consolidate all passion fruit growing self help groups into one umbrella group had been reached.



CLIENTS

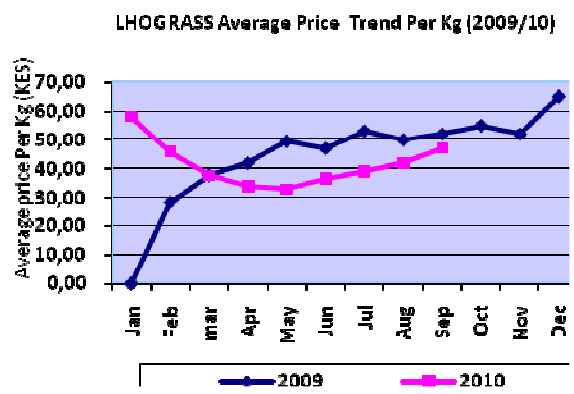
SNV signed a memorandum of understanding with the umbrella group which had a new name *Lessos Horticultural Growers Association* (LHOGRASS).

METHOD / SNV INTERVENTION

SNV together with the association identified lack of coordinated marketing as the most critical need at that time. However the new umbrella organisation faced other numerous challenges including, lack of access to clean and disease free passion fruit seedlings, group cohesion, lack of technical skills and knowledge in passion production, among others. Focusing on improving their marketing capacity, SNV facilitated a meeting between the buyers and the association in May 2009. In this meeting LHOGRASS negotiated for a short-term (Monthly) contract with the buyers. This contract is flexible and only allows access to highest bidders with the ability to buy-off all the weekly harvest across the month. As a prerequisite, the association collectively bulks all the weekly harvest from its members to one collection point from where the buyer reconfirms the weight and collects the fruits.

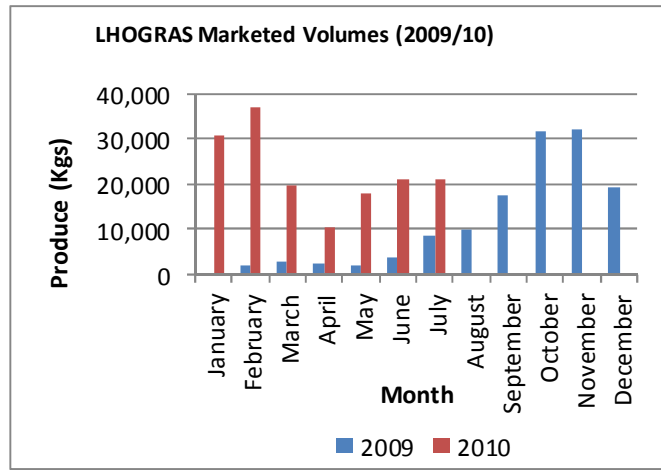
This arrangement has worked well for the association for the last two years. The association has managed to trade within the prevailing market prices since they have an opportunity to renegotiate collectively on a monthly basis. This has significantly enhanced the producers' bargaining power leading to better and stable selling prices. Despite the volatility in passion fruits market price, which depends on weather patterns, the association has managed to maintain relatively high and stable prices in 2010 which has been wet and cold compared to 2009. Passion fruit products have high demand in hot and dry seasons. Overall, exploitation of unsuspecting producers has been brought under manageable control.

OUTCOME



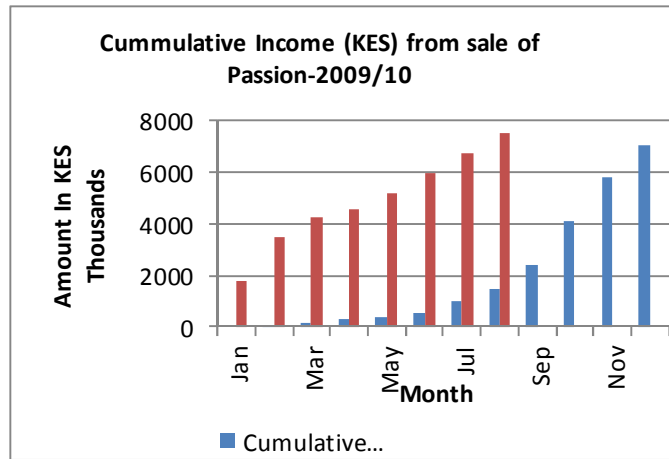
Weighing and recording of passion fruit deliveries

Continued strengthening of LHOGRASS by SNV has seen the association move from strength to strength. Initially the buyers were unable to find sufficient quantities of passion fruits. Working with SNV, the association embarked on initiatives to boost production volumes through engaging critical actors such as private agrochemical companies, to supply chemicals and pesticides for disease control in the orchards. Currently the working relationship with the private companies is gradually developing into a business enterprise where LHOGRASS now owns a farm input store from which members can access inputs on credit and payment recovered from their weekly sales. A service provision component is also strongly emerging where the association has identified, selected and in conjunction with SNV trained service providers who provide spraying services at a cost to members. Cumulatively these interventions have seen LHOGRASS increase the quantity of passion fruits steadily. (See graph below).



Packing passion fruits ready for export

On average LHOGRASS has earned over KES. 13,759,299,(EUR.137,000) since SNV started working with them. Given the rate of organisational growth, the association has surpassed last year's total revenues within the first half of 2010. (See Graph below)



Sorting and grading passion fruits

LHOGRASS with support from USAID-Kenya Horticultural Development Project managed to construct a mega nursery with a capacity of producing 300,000 seedlings in year, valued at an estimated KES. 12,000,000 (EUR.120,000). To realise their dream, LHOGRASS requested SNV to assist them into realising the economic potential of the mega nursery. A Local Capacity Builder (CORE), was identified to work closely with LHOGRASS in building their capacity to produce clean quality seedlings from the mega nursery. This activity is currently underway.

The association continues to host different groups from other districts on knowledge exchange programmes. Similarly, SNV continues to receive capacity building requests from the groups that have visited and learned from the association in Lessos. SNV has taken this as a positive indicator of up scaling the Lessos inclusive business model in many other districts. This has provided evidence on horizontal up scaling of successful practices by SNV.

IMPACT

Alongside is Roseline Bitok a smallholder producer of passion on a 0.3 acre orchard. She earns between **KES.5,000-9,000 (50-90 euro) a week** by selling passion fruits through the association. She sold a cow and obtained a loan through the association to make the initial investment (iron wire, poles, labour, and seedlings etc.). Roseline's income has since improved from KSh.400 per week she used to earned from sale of 20 litres of milk. She has managed to pay for a biogas installation at her homestead.



On average 5 people provide labour per acre on a weekly basis throughout the year. With 240 acres under passion production, LHOGRASS has fully employed over 1,200 people at the production segment of the passion value chain.

Employment creation can be also traced in the seedling production nurseries, service provision to producers, transportation, weighing and data clerks, Sorting and grading labour, security and workers at passion processing factories.

The association has improved the ability of its members to access finance from both micro finance institutions as well as the mainstream banks. To date, members have accessed over €11,000 from Ustawi MFI and an estimated €17,000 from mainstream banks through the associations recommendation. SNV will continue offering transformational advice to the association with an aim of improving the organisation's image to make it attractive in negotiating for cheaper financial products in the short run and an internal savings and credit scheme in the long run.

SUSTAINABILITY

The Association is growing fast this brings a lot of organisational challenges for such a young organisation. SNV will build its management and leadership capacity in readiness to face the challenges of a growing firm. SNV has facilitated the formation and building the capacity of the active committees handling matters related to production, membership, legal, finance, and overall management of the association's affairs.

SNV is working with the association to expand its marketing outlets for better prices, by exploring avenues of introducing linkages with seasoned players (processors, exporters) in the passion value chain such as Delmonte, Valley Orchards, Kenya Fresh (export), and Uganda buyers.

LESSONS

Sustainable extension services are critical to the long term development of the passion fruit value chain. Extension is crucial to keep the production high and the diseases out. A commercial model already discussed above will be developed further to realise this objective.

Multi-stakeholder approach with USAID-KHDP, service providers, Smallholder Horticulture Market Access Program, Syngenta, Horticultural Crops Development Authority among others has been affected to strengthen the operations of the association.

We hope to use this case to demonstrate the value chain as an approach to poverty reduction and scale up the model to other areas where it is applicable. A pilot scale up initiative is ongoing in Bungoma District where through an Local Capacity Builder in Kakamega, SNV has managed to reintroduce over 16,000 passion seedling in rehabilitated passion fruit orchards likely to benefit over 1000 new producers.

One quick win which SNV offered was to break the play of the middle-men by proposing one contract per month through a competitive bidding this has led to a stable high price and less stress for the producers. This breakthrough has stimulated the further business development of the Association.